

Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-12 ISO-00 EB-07 L-02 XMB-02 AID-05 CEA-01

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E.O. 11652: N/A

TAGS: EFIN, XM, DA

SUBJ: GENTLEMEN'S AGREEMENT ON EXPORT CREDIT

REF: STATE 36621, COPENHAGEN 510

1. ACCORDING TO FONOFF (BRANDSTRUP), DANISH COMMERCE MINISTRY DELEGATES TO TECHNICAL LEVEL MEETING (RICHNAGEL, ANDERSEN) ARE UNWILLING TO COMMENT IN ADVANCE UPON DETAILS OF DRAFT AGREEMENT. THEY ARE EXPECTED, HOWEVER, TO SUPPORT SETTLEMENT WITH LOWEST POSSIBLE SUBSIDY ELEMENT AT ALL POINTS AS THEY ARE INCREASINGLY WORRIED OVER COMPETITION WITH MORE POWERFUL EXPORT SUPPORT SCHEMES THAN THEIR OWN.

2. COMMERCE MINISTER ERLING JENSEN, WHO RECENTLY RETURNED TO OFFICE AFTER NATIONAL ELECTIONS, HAS (IN LINE WITH PREVIOUS GOVERNMENT) PLEDGED ACTIVE GOVERNMENT SUPPORT OF INDUSTRY EFFORTS FURTHER TO IMPROVE EXPORT PERFORMANCE. THIS SUPPORT EXPECTEDLY WILL TAKE THE FORM OF GOVERN-

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MENT GUARANTEES AGAINST EXCHANGE RATE LOSSES AND

OF A NEW EXPORT CREDIT FUND ESTABLISHED JOINTLY BY THE CENTRAL BANK AND THE COMMERCIAL AND SAVINGS BANKS. THE NEW FUND, WITH AN INITIAL CAPITAL OF 100 MILLION DANISH KRONER (ABOUT \$18 MILLION AT CURRENT EXCHANGE RATES), WILL BE DESIGNED TO GUARANTEE LONG-TERM EXPORT CREDITS BY THE BANKING SYSTEM. IT WOULD SUPPLEMENT THE EXISTING SCHEME BY WHICH MEDIUM-TERM CREDITS BY BANKS ARE GUARANTEED BY THE GOVERNMENT AND DISCOUNTED BY THE CENTRAL BANK AT BELOW MARKET RATE INTEREST. IT IS NOT EXPECTED THAT ANY OF THE DANISH SCHEMES WILL BE IN CONFLICT WITH INTERNATIONAL ATTEMPTS TO LIMIT INTEREST RATES, MATURITY, ETC.

3. THE RECENT BRITISH PROPOSAL TO GUARANTEE EXPORTS AGAINST INFLATIONARY COST RISES HAS ACTIVATED DANISH COMMERCIAL PRESS WHICH, WITH REFERENCE TO THE TECHNICAL LEVEL MEETING, HAS REMINDED THE COMMERCE MINISTER OF THE LIKELY COST OF KEEPING UP WITH ESCALATING EXPORT SUBSIDIES ABROAD AND HAS URGED DANISH DELEGATES ACTIVELY TO SUPPORT COMMON EC POLICY TO PREVENT AN INTERNATIONAL EXPORT SUBSIDY RACE.
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